

NPS-CM-07-001



ACQUISITION RESEARCH CASE SERIES

“VT-136” Market Research and Sourcing Case Exercise

30 April 2006

by

CDR (RET) Cory Yoder, Lecturer

Graduate School of Business & Public Policy

Naval Postgraduate School

Approved for public release, distribution unlimited.

Prepared for: Naval Postgraduate School, Monterey, California 93943



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 30 APR 2006		2. REPORT TYPE		3. DATES COVERED 00-00-2006 to 00-00-2006	
4. TITLE AND SUBTITLE 'VT-136' Market Research and Sourcing Case Exercise				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School, Graduate School of Business and Public Policy, 555 Dyer Road, Room 332, Monterey, CA, 93943				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT see report					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 43	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

The research presented in this report was supported by the Acquisition Chair of the Graduate School of Business & Public Policy at the Naval Postgraduate School.

To request Defense Acquisition Research or to become a research sponsor, please contact:

NPS Acquisition Research Program
Attn: James B. Greene, RADM, USN, (Ret)
Acquisition Chair
Graduate School of Business and Public Policy
Naval Postgraduate School
555 Dyer Road, Room 332
Monterey, CA 93943-5103
Tel: (831) 656-2092
Fax: (831) 656-2253
e-mail: jbgreene@nps.edu

Copies of the Acquisition Sponsored Research Reports may be printed from our website www.acquisitionresearch.org



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL

About the Author

Commander (Ret) Cory Yoder is a faculty member of the Naval Postgraduate School, Graduate School of Business and Public Policy (GSBPP). Assigned to NPS in July 2000, he accepted an appointment as Academic Associate (Program Manager) for the 815 (MBA) and 835 (MSCM) programs in December 2002. Commander Yoder accepted a civilian position at NPS/GSBPP as Lecturer and Academic Associate (Program Manager) and retired from active duty in July 2004. Yoder has strong acquisition and contracting experience, combined with several challenging acquisition, logistics, industrial, headquarter, and combat support operations billets.

Commander (Ret) Yoder entered the United States Naval Service in 1984. Since his commission, he has performed in numerous assignments, including, but not limited to:

- Director and Chief of Logistics, Headquarters, Allied Forces Southern Command (AFSOUTH), Naples, Italy (logistics, contracting, finance within NATO)
- Post Commander and Support Group Commander, Kosovo Verification Coordination Center (KVCC), Kumanovo (Skopje), Macedonia
- Officer-in-Charge, Fleet and Industrial Supply Detachment, Long Beach, California
- Stock Control Officer, USS TARAWA (LHA-1)
- Aviation and Surface Stores Officer, USS TARAWA (LHA-1)
- Naval Acquisition and Contracting Officer (NACO) internship, Naval Regional Contracting Center (NRCC), Washington, DC
- Supply Officer, USS FANNING (FF-1076)

CDR (Ret) Yoder holds the following degrees and certifications:

- MA in National Security and Strategic Studies, Naval War College (NWC), Newport, Rhode Island, 1997
- MS in Management, Naval Postgraduate School, Monterey, CA, 1993
- BS in Business Management, Indiana University “Kelly” School of Business, 1983

CDR (Ret) Yoder is professionally certified and/or a member of:

- DAWIA Contract Level III certified
- Institute for Supply Management (ISM), Direct National Member
- Beta Gamma Sigma international honor society for graduate degree holders



CDR (Ret) Yoder has published several articles on acquisition and contracting, including, but not limited to:

“Getting the Most from Acquisition Reforms: FAR 13.5 Test Provisions for Simplified Acquisition Procedures, Commercial Item Acquisition”, NPS-AM-06-049 Sponsored Research for the Assistant Secretary of the Navy, Research, Development and Acquisition, 30 December 2006.

“Training and Educating Contingency Contracting Officers for the Modular Army”, E. Cory Yoder and Major Cliff Calhoun, Army AL&T Magazine, January-February 2005 Web Edition.

“Getting the Most from Business: Effective Use of Award Fee Contracts”, E. Cory Yoder and 1Lt Josh Parsons (USAF), Army AL&T Magazine, January-February 2005 Web Edition.

“The Yoder Three-tier Model for Optimal Planning and Execution of Contingency Contracting”, NPS Working Paper NPS-AM-05-002, 05 December 2004.

“Engagement Versus Disengagement: How Structural & Commercially-Based Regulatory Changes Have Increased Government Risks in Federal Acquisitions”, NPS Working Paper NPS-AM-05-001, 01 November 2004.

“Contingency Contracting Operations- Achieving Better Results”, Army AL&T Magazine, January – February 2004.

“The Naval Postgraduate School’s Defense-Focused Master’s Programs in Acquisition and Contracting”, Navy Supply Corps Newsletter, March- April 2004.

“Lessons for Contingency Contracting, Humanitarian Operations in Uzbekistan”, Army AL&T, September-October 2002.

Cory Yoder
Lecturer
Graduate School of Business and Public Policy
Naval Postgraduate School
Monterey, CA 93943-5197
Tel: (831) 656-3619
E-mail: ecyoder@nps.edu



NPS-CM-07-001



ACQUISITION RESEARCH CASE SERIES

“VT-136” Market Research and Sourcing Case Exercise

30 April 2006

by

CDR (RET) Cory Yoder, Lecturer

Graduate School of Business & Public Policy

Naval Postgraduate School

Disclaimer: The views represented in this report are those of the author and do not reflect the official policy position of the Navy, the Department of Defense, or the Federal Government.



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL

THIS PAGE INTENTIONALLY LEFT BLANK



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL

Table of Contents

I.	Market Research and Commercial Pricing.....	1
A.	Introduction	1
B.	Market Research and Acquisition Planning	1
C.	Market Research and Risk Mitigation	3
D.	Who Performs Market Research and When is it Conducted?	5
E.	Market Research and Acquiring “Commercial Items”	6
F.	<i>Federal Acquisition Regulation (FAR) Part 13.5—Test Program for Certain Commercial Items</i>	7
G.	Market Research and Determining Fair and Reasonable Price	8
H.	Tests for Determining Fair and Reasonable Price	9
I.	Market Characterization through Market Research	10
J.	Documenting Market Research and Determinations of Fair and Reasonable Price	12
K.	Conclusion	13
II.	The Case and Exercise	15
A.	Case Conduct and Protocols	15
B.	Exercise and Case Scenario.....	18
III.	Instructor’s Guide.....	21
IV.	Sample Student Submission Package.....	23
	List of References	25
	Appendix 1. Request for Contractual Procurement	27
	Appendix 2. Cost and Price Analysis & Negotiations	29
	Initial Distribution List	29



THIS PAGE INTENTIONALLY LEFT BLANK



I. Market Research and Commercial Pricing

A. Introduction

Market research is essential for Government and private commercial buyers to make qualified decisions in purchasing goods and services. While arguably a necessary component of all acquisition and contracting offices, the understanding, conduct and exercise of sound market research practices is often neglected or omitted as a precursor to effective and efficient market actions.

What really is market research? Simply stated, market research is the process utilized to collect, organize, maintain, analyze, and present data for the purpose of maximizing the capabilities, technologies, and competitive forces of the market place to meet an organization's need for supplies and services.

Market research is done to optimize the potential for the Federal Government to acquire and utilize commercial items, commercial services, and non-developmental items to meet its needs. Additionally, market research may enhance our capability to elicit greater competition within the market place.

Market research for the Federal Government is an imperative!

B. Market Research and Acquisition Planning

The *Federal Acquisition Regulation* requires agencies to conduct market research in order to promote and provide for: 1) acquisition of commercial items, or non-developmental items to the maximum extent practical, and; 2) to provide for “full and open” competition, or to obtain competition to the maximum extent practical.¹

¹ *Federal Acquisition Regulation* (Washington, DC: author, 2007), FAR 7.102. Note to the reader: the FAR provision relating to competition is derived from the *Competition in Contracting Act (CICA)*, the *Federal Acquisition Streamlining Act (FASA)*, the *Federal Acquisition Reform Act (FARA)*, and the *Services Acquisition Reform Act (SARA)*. Interested practitioners may wish to examine these in greater detail.



The purpose of the planning and market research effort is to ensure the Government meets its needs in the most effective, economical and timely manner.

Market research is an integral part of acquisition planning. The results of market research are useful in identifying and addressing the business, managerial, technical and other significant considerations that may help in the conduct and control of the acquisition. On large acquisitions, the market research effort can be utilized to assist in development and publication of the acquisition plan, a requirement for all major acquisitions. On smaller acquisitions and commercial-item purchases, the plan can be a simple set of milestones, often encompassing nothing more than a rudimentary timeline of when major acquisition and contracting steps will be achieved, and when critical actions will be required for such completion.

Acquisition plans may include market research-based information, including, but not limited to:

- Statement of needs and requirements
- Desired capability of the product or service sought
- A plan of action and milestones
- Environmental considerations
- Contract administration factors
- Supplier capacities and capabilities

Market research also plays a critical role in determining whether the Government will buy an existing product or service from the commercial market place, or have a product or service uniquely developed and fielded. The *Federal Acquisition Regulation, FAR Part 10*, states that agencies must conduct market research before developing new requirements documents and before soliciting offers for acquisitions both above the simplified acquisition threshold as well as below the threshold if adequate information to make qualified decisions are not available and the cost of the market research effort is justified.



C. Market Research and Risk Mitigation

Market research can be utilized to manage and mitigate risks associated with acquisitions, contracting, and management of the same. How? Market research may allow for a greater understanding of the markets within which we operate. The author believes as an imperative, contracting specialists must know the markets and market in which they're conducting business. Knowing the markets implies knowing the common factors affecting the availability and pricing of goods and services within those markets.

Among some of the many elements that can be derived from market research efforts having a bearing on availability and pricing are:

- Political factors affecting markets (oil markets, legislation, etc.)
- Financial practices common to markets
- Capabilities of the market place and specific suppliers
- Capacities of the market place and specific suppliers
- Economic factors affecting markets and suppliers
- Degree of competition—relevant to pricing and ability to determine “fair and reasonable” price²
- Identification of suitable substitutes and alternative products or services that can meet the requirement
- Longevity and sustainability determinations, lifecycle costing estimates
- Multiple or bundled purchase decisions

In addition to the above, market research can help agencies, requirements generators, and contracting officers in **shaping** both specific aspects of the requirement as well as associate actions. For example, early and preliminary

² Note to the reader: Determining “fair and reasonable” is a mandatory requirement for every item, good and service that the Government contracting officer purchases. Determining “fair and reasonable” price is discussed later in this case.



market research prior to actually purchasing an item or service may be useful in shaping:

- Requirements—designing and specifying to meet market conditions and to extract maximum competitive forces
- Support plans
- Test plans
- Selection criteria that will complement market conditions and product/service availability
- Contract terms and conditions that will be readily accepted by market participants

Lastly, market research can assist the requirements generators and contracting officers in specific tasks related to the purchase itself. Such actions include:

- Identification of quality sources of supply
- Analysis of cost and pricing estimates
- Preparation of negotiation objectives—if required
- Preparation of the solicitation
- Selection of a contract type to meet the marketplace expectations and capabilities, including commercial-item designation requirements
- Selection of the method of procurement—sealed bidding, competitive negotiation, simplified acquisition procedures, etc.
- Determination of the best methods for publicizing the solicitation
- Preparation of administrative and quality assurance plans
- Identification and selection of evaluation criteria as determinants for contract award
- Definition of delivery and acceptance terms and conditions



All the functions described herein can be useful in identifying and mitigating risks of doing business.

D. Who Performs Market Research and When is it Conducted?

Given the comprehensive lists of functions that market research efforts can accomplish, it's essential that all members of the acquisition team play a part in the market research effort. The degree of participation in market research and the nature of the effort may vary, but some level of engagement can reasonably be expected from the following members of the acquisition team:

- End-users and customers
- Program office specialists
- Technical specialists (engineers, scientists, etc.)
- Logistics specialists
- Cost and Price Analysts
- Legal and counsel
- Contracting officers and contract specialists

The market research effort may be contracted out or competitively sourced—if specific capability is either not available within organic Government capacity, or if such organic capability is not the best value economically.

Market research may also be a part-time function of specific persons or teams within an organization. In other cases, the market research may be assigned to full-time experts. The actual structure desired and required depends on the markets, criticality of the information sought, and availability of personnel.



E. Market Research and Acquiring “Commercial Items”

Market research efforts don’t just apply to large and complex acquisitions. Market research is an essential component in the conduct of contracting for commercial items. But, what exactly is a commercial item?

By definition, a commercial item is any item (or service) that is customarily used for non-governmental purposes. By definition, the items or services must have been:

- Sold
- Leased, or
- Licensed to the general public.

Or the items must have been **offered** for

- Sale
- Lease, or
- License to the general public.

As part of acquisition reform initiatives, the definition of commercial item may include any or all of the following:

- Items which have evolved from commercial items,
- Items that are commercial with modifications for Government use,
- Combinations of goods and services,
- “Non-developmental” items, and/or
- Services at catalog or market prices.

The broad definition has allowed for greater use of streamlined provisions under the *Federal Acquisition Regulations*.



F. *Federal Acquisition Regulation (FAR) Part 13.5—Test Program for Certain Commercial Items*

The Federal Acquisition Regulation allows the use of Simplified Acquisition Procedures up to and including \$5.5 million. This provision eliminates many hurdles new market participants may have experienced in attempting to enter Government business opportunities; it makes the purchase process far less complex, time consuming, and expensive.

The *Federal Acquisition Regulation (FAR Part 13.5)* is quite simple in its language and intent. *FAR 13.5* states verbatim (format and numbering system of the *FAR* retained herein, including any sentence fragments of the regulatory language; however, bold and italic emphasis is added to the “purpose” element):

13.500 General.

- (a) This subpart authorizes, as a test program, use of simplified procedures for the acquisition of supplies and services in amounts greater than the simplified acquisition threshold but not exceeding \$5.5 million (\$11 million for acquisitions as described in 13.500(e)), including options, if the contracting officer reasonably expects, based on the nature of the supplies or services sought, and on market research, that offers will include only commercial items. Under this test program, contracting officers may use any simplified acquisition procedure in this part, subject to any specific dollar limitation applicable to the particular procedure. The ***purpose of this test program is to vest contracting officers with additional procedural discretion and flexibility, so that commercial item acquisitions in this dollar range may be solicited, offered, evaluated, and awarded in a simplified manner that maximizes efficiency and economy and minimizes burden and administrative costs for both the Government and industry (10 U.S.C. 2304(g) and 2305 and 41 U.S.C. 253(g) and 253a and 253b).***
- (b) For the period of this test, contracting activities must employ the simplified procedures authorized by the test to the ***maximum extent practicable.***
- (c) When acquiring commercial items using the procedures in this part, the requirements of Part 12 apply subject to the order of precedence provided at 12.102(c). This includes use of the provisions and clauses in Subpart 12.3.



- (d) The authority to issue solicitations under this subpart expires on January 1, 2008. Contracting officers may award contracts after the expiration of this authority for solicitations issued before the expiration of the authority.
- (e) Under 41 U.S.C. 428a, the simplified acquisition procedures authorized by this test program may be used for acquisitions that do not exceed \$10 million when—
 - (1) The acquisition is for commercial items that, as determined by the head of the agency, are to be used in support of a contingency operation or to facilitate the defense against or recovery from nuclear, biological, chemical, or radiological attack; or
 - (2) The acquisition will be treated as an acquisition of commercial items in accordance with 12.102(f)(1).

All practitioners are most strongly encouraged to make use of the provisions of *FAR 13.5* to the maximum extent possible!³

G. Market Research and Determining Fair and Reasonable Price

One of the most prominent functions of market research is to assist in determining a fair and reasonable price. The practitioner must have a sound understanding of the markets and market factors (or determinants) that allow for the substantiated determination of fairness and reasonableness.

What exactly is “fair and reasonable pricing”? By definition, a fair and reasonable price is defined as:

What a prudent business person would expect to pay in the conduct of competitive business, taking into account:

- Prevailing market conditions
- Competition and competitive factors

³ Department of the Navy, Commander Naval Supply Systems Command, “Department of the Navy Policies for the Use of Commercial Item Test at FAR 13.5,” 8 February 1999, memorandum serial number 21C3/9Q53.



- Availability of substitutes or alternatives
- Position of product or service in relation to its market life cycle and relation to state-of-the-art products or services.

H. Tests for Determining Fair and Reasonable Price

By far, the best methodology for making the determination that a product or service cost or price is fair and reasonable is through **comparison of competing offers** tendered in response to a publicized Government requirement solicitation. The presence of adequate price competition is considered to be the first-tier methodology.

How do we know when we have adequate competition on a publicized action? Put simply, there are four criteria, or tests, for determining if adequate price competition exists:

- At least two offerors tendered a response—or one offeror operated under the expectation that there would be more than one participating offeror;
- The offerors must be able and willing to satisfy the Government's requirement as advertised (capability and responsibility factors);
- Offerors must independently contend for the contract award based on the lowest evaluated price, and
- Submitted priced offers must be responsive to the requirements stated in the solicitation.

But, there are clearly instances in which the aforementioned tests fail to yield adequate competition. In the event that adequate competition doesn't exist, contracting officers may utilize other acceptable second-tier methodologies to determine fair and reasonable pricing. Possible second-tier methodologies are listed below.:

Evidence of sales of the same or similar items to other customers under similar market conditions, such as the following:



- Prices paid in the past (adjusted for market conditions)
- Probable cost and profit estimates based on market research results
- Established catalog and market pricing (with clear sales history)

In addition, a plethora of other methods may be used alone or in harmony with any of the lower-tier methods.

I. Market Characterization through Market Research

It's important for contracting officers and buyers to understand the "characterization" of the markets in which they anticipate operating. Characterization is an examination of market conditions and offerors' profiles within the overall market structure. Characterization may be multi-faceted and quite complex, depending on the commodity or service being acquired. However, a simple approach can be utilized for most purchases.

Inherent within the primary market characterization is the degree of competition existing among the offerors and suppliers. As indicated above, the primary means of determining a fair and reasonable price is through adequate competition. As such, it's important to anticipate, via market research, what the competitive posture is. Some of the more prominent characterizations related to competitive posture are as follows:

Perfect competition—multiple buyers and sellers, no single or group has control over the market. Buyers and sellers may enter and exit the market with relative ease.

Effective competition—exhibits many attributes of perfect competition, but may have some barriers of entry, and/or some degree of control over the markets, but not to the extent that price competition ceases to exist.



Imperfect competition: conditions exist as to restrict ease of entry or exit, have a limited number of suppliers and/or buyers, and/or exercise control over markets.

Examples include, but are not limited to:

Monopolies:	one seller dominates the market.
Oligopolies:	a small number of sellers dominate the market; barriers to entry are strong.
Oligopsonies:	The number of buyers is small while the number of sellers in theory could be large. This typically happens in market for inputs where a small number of firms are competing to obtain factors of production.
Bi-lateral Monopoly:	One buyer and one seller.

Understanding the market characterization assists the buyer in defining specific strategies, tools and protocols for effective and efficient action within the markets.

Further characterization through market research can reveal **vendor-specific information** related to markets. For example, in a market exhibiting adequate competition with many sellers and buyers, there may be additional stratification determined by market research such as:

- Socio-economic status of participants (meeting Government socio-economic program goals)
- Size and location of vendors
- Capacity and Capability factors
- Competitive strategy of the firms
- Product life cycles
- Desired position within the market place

Additionally, market research may reveal **product-specific characteristics** related to the markets. For example, a specific requirement may indicate or assist in determining:



- Commodity or item-unique nomenclatures and descriptors essential for vendor recognition and identification
- Obsolescence
- Substitutes meeting unique requirements
- Acceptable ranges of performance or tolerances
- Common warranties

These additional factors specific to individual firms can be a critical component of the buying decision.

J. Documenting Market Research and Determinations of Fair and Reasonable Price

Documentation of the market research results and decision of fair and reasonable price should be kept as simple as possible while adequately recording the effective and efficient conduct of the acquisition or contract action. For most small purchases meeting the *Federal Acquisition Regulation (FAR) Part 13.5* criteria for Simplified Acquisition Procedures up to and including \$5.5 million, a simple bid call-out record is sufficient provided that the tests for adequate competition exist.⁴ The easiest way to create adequate competition in the commercial market place is to solicit at least three participants capable and willing to satisfy the Government requirement, and obtain quotes. This can be accomplished by several acceptable means, alone or in combination with each. They include, but are not limited to:

- Phone solicitations
- Electronic bulletin systems

⁴ Note to readers: See the adequate competition tests for making fair and reasonable determinations discussed in a previous section of this case.



- Existing protocol suites (Standard Procurement System, DP2)
- General Services Administration (GSA) catalog, Jarvis-Wagner & O'Day (JWOD) catalog pricing citations
- Sealed bids

The documentation should include a logical reference to the line-item or items, the prices quoted or obtained and any supporting competitive offers, catalog references, pricing histories and analysis to support the decision. Imbedded in the supporting documentation must be a clear and auditable record indicating:

- Line-item or items required
- Line-item or items being offered by each vendor
- Date, vendor details (contact, address, phone, web-site)
- Offer number (if formally tendered)
- Confirmation of price and price-related factors (shipping, delivery, discounts, etc.)
- Confirmation of substitute product or service acceptability

Despite having the capability to award based on a single offer, provided the offeror acted under the belief that adequate competition existed, it's always best to have at least two, and preferably three bona-fide responses documented.

K. Conclusion

Market research plays a critical role in the Government acquisition and contracting process. Understanding the functions and basic conduct and characterization of a particular marketplace is essential to operate in an efficient and effective manner within that arena.



THIS PAGE INTENTIONALLY LEFT BLANK



II. The Case and Exercise

A. Case Conduct and Protocols

Case Objectives

1. Primary Objective: Capitalize and consolidate class lessons in advanced contracting courses. Include at least the following:
 - a. Structure, conduct and utilize market research,
 - b. Perform purchase functions in multi-variant markets,
 - c. Determine and apply Commercial-item provision application under *FARA*, *FASA*, and *SARA*,
 - d. Exercise cost realism and “should Cost” analytical techniques,
 - e. Determine and document “fair and reasonable” price, and
 - f. Exercise lesson skills in a benign “mock” exercise environment.
2. Secondary Objective: Engage in a spirited, competitive buying exercise with positive incentives and reward for sound conduct and top student team performance.

General Guidance and Protocols

1. This case requires all participants to read and follow these instructions implicitly.
2. Students are NOT to communicate any aspect of this case or its content, the buying strategies, operations, or tactics employed with any student(s) outside of their immediate team.
3. Communication in the market place must be handled such that under NO circumstance can any vendor, dealer, or seller believe or act on the belief that the NPS school, GSBPP, the instructor, and/or the student(s) are making any form of a commitment to purchase the items required in the case. NO UNAUTHORIZED COMMITMENTS!
4. The case exercise is scheduled for two calendar weeks (14 days) However, the instructor may tailor the schedule to meet specific class requirements.



5. The instructor may answer questions related to the case, but reserves the right to withhold any information that could or would place any team or teams in an unfair competitive advantage over other participants.
6. Documentation for review and scoring must be neat and organized in a presentable manner (as if you were a bidder contending for award.)

Team Conduct and Documentation

1. Teams may organize and distribute research and work functions equitably among fellow teammates.
2. Market research may be utilized to perform all of the functions indicated in the instructor's slides and readings (provided in the instructor set).
3. "Mock" or simulated purchases may be accomplished through any viable means, provided that any conduct does NOT result in the actual purchase, or commitment to purchase, any of the materials required in the case. This is strictly an exercise, and NOT an actual purchase.
4. Teams may structure the purchase(s) to best meet the requirements, take advantage of market conditions, availabilities, etc. Teams may make purchases for all line-items together (single purchase), combinations of line-items (break out purchases), and multiple purchases for single line-items wherein a single purchase would fail to yield desired quantities.
5. Teams must document "fair and reasonableness" for each action. Each line-item number will need its own determination. Use the best methodology available for the determination given the best results of your market research and market conditions and factors, and in conjunction with the hierarchy for determination presented by the instructor.
6. Shipping and Handling (and vendor-required insurance) must be documented and will be included in the assessment. The instructor will assign S&H for any item(s) where it is not specifically evident from documentation obtained by the team. S&H is included in the line-item estimates on the purchase request.
7. Teams will answer all questions indicated within the case and be prepared to discuss and/or present their answers in class. Teams are required to prepare written responses to the exercise questions and



will provide the written answers to the instructor at the conclusion of the exercise.

8. Order of precedence for sourced items:
 - a. New items with manufacturer's/seller's warrantee,
 - b. New Old Stock (NOS) items with seller's warrantee,
 - c. Used Items tested for specification compliance,
 - d. Used Items not tested for specification compliance.
9. Specification compliance for other than "new" and/or for NOS and used items should state the test methodology, test equipment utilized, test reference values, and the actual item's(s') tested value against the test reference. Other statements of compliance may be acceptable for these items, but are not preferred methodology. "Untested" items are least preferred and should not be purchased unless there are no other alternatives.
10. The instructor, prior to final submission of the exercise package, must approve the acceptability of any substitute items identified by the teams.
11. Documenting market research and fair and reasonable determinations must meet the criteria in the readings section of this case and must meet generally accepted auditable standards.





B. Exercise and Case Scenario

It's 0500 HRS and you've just finished checking your morning e-mails, answered a few questions from the program manager, and have commenced brewing your second pot of coffee. Life is good now that you're in command of the Joint and Combined Research and Development Prototype Contracting Support Group. Although it's a small contract-support unit, it has been instrumental in developing and fielding critical gear for all the military branches and our allies. The engineers have heaped tremendous praise on your unit for being able to source hard-to-get items in a hurry. And today is no different than usual.

General Moe Rahn and Admiral Barny Calbottom from the Joint and Combined R&D Prototype office have sent your team a critical requirement for immediate action. The requirement is comprised of components to make a dozen prototype and pre-production test radios to be utilized for signal intercept and propagation. The engineers and researchers believe this particular capability will prove instrumental in acquiring continuous wave signals the enemy has exploited.



Your team's mission is to acquire all the items as cost-effectively as possible.

Exercise and Case Questions

1. Describe the processes that your team utilized to allocate the market-research effort.
2. Characterize the marketplace in which you sourced the parts.
3. Did your aforementioned characterization apply to all the line-items together? Did some of the line-items exhibit other market characteristics? If so, describe.
4. Aside from determining available sources, did your market-research effort facilitate your making other purchase-related decisions? If so, how?
5. What specific tools did you utilize in the market research effort?
6. Did your efforts uncover any "goldmines" of parts sources?
7. If the teams actually were authorized to purchase the items with real authorizations, what effect, if any, would the teams' presence in the market place have on the likely outcome? Would this apply to all the items, some of the items, or none of the items?
8. What methodologies did your team utilize to make the "fair and reasonable" determination? Did a single methodology apply to all the line-items in the purchase request? If not, what methodologies applied to the mix of items? How confident is your team in the determination of "fair and reasonable"?



THIS PAGE INTENTIONALLY LEFT BLANK



III. Instructor's Guide

Section III is designed to be used as teaching notes by the professor when presenting this case study. Please contact Karey Shaffer at klshaffe@nps.edu to request a copy of the complete text associated with this case study.



THIS PAGE INTENTIONALLY LEFT BLANK



IV. Sample Student Submission Package

Section IV is designed to be used as teaching notes by the professor when presenting this case study. Please contact Karey Shaffer at klshaffe@nps.edu to request a copy of the complete text associated with this case study.



THIS PAGE INTENTIONALLY LEFT BLANK



List of References

Federal Acquisition Regulation. Washington, DC: author, 2007, FAR 7.102.

Department of the Navy, Commander Naval Supply Systems Command.

“Department of the Navy Policies for the Use of Commercial Item Test at FAR 13.5,” 8 February 1999. Memorandum serial number 21C3/9Q53.



THIS PAGE INTENTIONALLY LEFT BLANK



Appendix 1. Request for Contractual Procurement

Appendix 1 is designed to be used as teaching notes by the professor when presenting this case study. Please contact Karey Shaffer at klshaffe@nps.edu to request a copy of the complete text associated with this case study.



THIS PAGE INTENTIONALLY LEFT BLANK



Appendix 2. Cost and Price Analysis & Negotiations

Appendix 2 is designed to be used as teaching notes by the professor when presenting this case study. Please contact Karey Shaffer at klshaffe@nps.edu to request a copy of the complete text associated with this case study.



THIS PAGE INTENTIONALLY LEFT BLANK



Initial Distribution List

- | | | |
|---|---|---|
| 1. Defense Technical Information Center
8725 John J. Kingman Rd., STE 0944; Ft. Belvoir, VA 22060-6218 | 2 | |
| 2. Dudley Knox Library, Code 013
Naval Postgraduate School, Monterey, CA 93943-5100 | 2 | |
| 3. Research Office, Code 09
Naval Postgraduate School, Monterey, CA 93943-5138 | 1 | |
| 4. Robert N. Beck
Dean, GSBPP
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | 1 | |
| 5. Keith F. Snider
Associate Professor, GB
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | 1 | |
| 6. James B. Greene
Acquisition Chair, GB
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | 1 | |
| 7. Bill Gates
Associate Dean for Research, GB
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | 1 | |
| 8. E. Cory Yoder
Lecturer, GB
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | | 1 |
| 9. Karey L. Shaffer
Program Manager, Acquisition Research Program, GB
555 Dyer Road, Naval Postgraduate School, Monterey, CA 93943-5000 | 1 | |

Copies of the Acquisition Sponsored Research Reports may be printed from our website www.acquisitionresearch.org



THIS PAGE INTENTIONALLY LEFT BLANK



2003 - 2006 Sponsored Acquisition Research Topics

Acquisition Management

- Software Requirements for OA
- Managing Services Supply Chain
- Acquiring Combat Capability via Public-Private Partnerships (PPPs)
- Knowledge Value Added (KVA) + Real Options (RO) Applied to Shipyard Planning Processes
- Portfolio Optimization via KVA + RO
- MOSA Contracting Implications
- Strategy for Defense Acquisition Research
- Spiral Development
- BCA: Contractor vs. Organic Growth

Contract Management

- Getting the Most from Acquisition Reforms: FAR 13.5
- USAF IT Commodity Council
- Contractors in 21st Century Combat Zone
- Joint Contingency Contracting
- Navy Contract Writing Guide
- Commodity Sourcing Strategies
- Past Performance in Source Selection
- USMC Contingency Contracting
- Transforming DoD Contract Closeout
- Model for Optimizing Contingency Contracting Planning and Execution

Financial Management

- PPPs and Government Financing
- Energy Saving Contracts/DoD Mobile Assets
- Capital Budgeting for DoD
- Financing DoD Budget via PPPs



- ROI of Information Warfare Systems
- Acquisitions via leasing: MPS case
- Special Termination Liability in MDAPs

Logistics Management

- R-TOC Aegis Microwave Power Tubes
- Privatization-NOSL/NAWCI
- Army LOG MOD
- PBL (4)
- Contractors Supporting Military Operations
- RFID (4)
- Strategic Sourcing
- ASDS Product Support Analysis
- Analysis of LAV Depot Maintenance
- Diffusion/Variability on Vendor Performance Evaluation
- Optimizing CIWS Life Cycle Support (LCS)

Program Management

- Building Collaborative Capacity
- Knowledge, Responsibilities and Decision Rights in MDAPs
- KVA Applied to Aegis and SSDS
- Business Process Reengineering (BPR) for LCS Mission Module Acquisition
- Terminating Your Own Program
- Collaborative IT Tools Leveraging Competence

A complete listing and electronic copies of published research within the Acquisition Research Program are available on our website: www.acquisitionresearch.org



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL



ACQUISITION RESEARCH PROGRAM
GRADUATE SCHOOL OF BUSINESS & PUBLIC POLICY
NAVAL POSTGRADUATE SCHOOL
555 DYER ROAD, INGERSOLL HALL
MONTEREY, CALIFORNIA 93943

www.acquisitionresearch.org